

EXHIBIT G

1  
2 UNITED STATES BANKRUPTCY COURT  
3 SOUTHERN DISTRICT OF NEW YORK  
4

5 In re: ) Chapter 11  
6 )  
7 MIAMI METALS I, ) Case No. 18-13359 (shl)  
8 INC. et al. )  
9 )  
10 Debtors. ) (Jointly Administered)  
11  
12

13 30(b)(6) DEPOSITION OF SCMI US, INC.  
14 by HITOSHI ISHIDA  
15 New York, New York  
16 August 9, 2019  
17  
18  
19  
20  
21  
22

23 Reported by: BONNIE PRUSZYNSKI, RMR, RPR, CLR  
24

25 JOB NO. 165392

1 H. Ishida

2 sale of precious metals. Can you please  
3 describe for me any other business operations  
4 of SCMI?

5 A. It is engaged, to be specific, in  
6 the buying and selling, in the leasing and  
7 consignment of precious metals with parties  
8 in the U.S.

9 Q. And I want to just go back a minute  
10 to clear something up. Mr. Hara, is he in  
11 the New York office also?

12 A. Yes.

13 Q. And does Mr. Hara also reside in  
14 New York?

15 A. Yes.

16 Q. I'm going to be showing you some  
17 more documents, and I'm going to be asking  
18 you to identify them for the record, which,  
19 again, would typically mean, and your lawyer  
20 can elaborate, that you would read the title  
21 of the document into the record so she can  
22 record it, the court reporter.

23 (SCMI Exhibit 2, SCMI US INC.'s  
24 Responses to Debtors' First Set of  
25 Interrogatories, etc. marked for

1 H. Ishida

2 Are there any other persons at SCMI who  
3 communicated with Republic Metals Corp.?

4 A. Those are the only three.

5 Q. I'm sorry. Did you state the  
6 answer?

7 THE INTERPRETER: "Those are the  
8 only three."

9 Q. Did Mr. Steve have a prior  
10 relationship with RMC before joining SCMI in  
11 April 2018?

12 A. I don't know.

13 Q. Did SCMI and Republic Metals  
14 Corporation ever have in-person meetings?

15 A. Yes.

16 Q. Where were those meetings?

17 A. I'm not able to give you a precise  
18 date and time, but --

19 Q. My question was where, and then we  
20 will get to when. The location.

21 A. Daniel met with them in Florida, at  
22 their offices in Florida. And I know that  
23 Daniel and I met with them in Arizona. And I  
24 also remember that I met with -- I met with  
25 them with Daniel in New York.

1 H. Ishida

2 (SCMI Exhibit 6, Master Agreement  
3 for Precious Metals Transactions marked  
4 for identification, as of this date.)

5 Q. Can you identify this document,  
6 please, for the record?

7 A. (In English) Master agreement for  
8 precious metals transactions.

9 Q. Have you seen this document before?

10 A. (Through interpreter) Yes, I have.

11 Q. Can you turn to -- if you look at  
12 the top, there are page numbers -- page 23 of  
13 28.

14 Is that your signature on page 23?

15 A. Yes.

16 Q. Is this document complete? You can  
17 look through it. Take your time.

18 A. It appears that it's complete, and  
19 I see that it includes the annexes.

20 Q. Does SCMI use this form master  
21 agreement with other customers?

22 A. Basically, yes.

23 Q. Who prepared this master agreement?

24 A. We did.

25 Q. When was it prepared?

1 H. Ishida

2 A. This is based on a boilerplate, so  
3 the boilerplate originally was generated  
4 quite a while back.

5 Q. Would that be more than four years  
6 before 2017?

7 A. Yes.

8 Q. More than ten years?

9 A. That I don't know.

10 Q. More than six years?

11 A. I don't know.

12 Q. Okay. Are you familiar with the  
13 terms in the master agreement?

14 A. Although I am not the one who drew  
15 up the master agreement originally, I do  
16 consider myself to be at least familiar with  
17 it to a certain degree.

18 Q. Who else at SCMI is familiar with  
19 the master agreement in front of you?

20 A. At SCMI U.S., I would expect  
21 Mr. Hara, Shunji Hara, who is here, would  
22 know.

23 Q. Anybody else?

24 A. Mr. Hara is the only one that I can  
25 give you a name with some confidence.



1 H. Ishida

2 Q. You indicated it was boilerplate.  
3 Was there any discussion of changing the  
4 terms between the parties?

5 A. I don't know.

6 Q. When did SCMI and Republic --  
7 restart that.

8 Have SCMI and Republic ever entered  
9 into a consignment transaction under the  
10 master agreement?

11 A. There were no consignment  
12 transactions.

13 Q. Have SCMI and Republic Metals Corp.  
14 ever entered into an outright transaction  
15 under the master agreement?

16 A. Yes. Outright transactions, yes.

17 Q. Please describe for me what an  
18 outright transaction consists of, based on  
19 your understanding.

20 A. It refers to the sale or purchase  
21 of precious metals.

22 Q. Is the payment for the sale or  
23 purchase financed, or is it made in one lump  
24 sum?

25 A. You mean do we get financing for

1 H. Ishida

2 are set, the LIBOR rate is one consideration  
3 in setting it?

4 THE INTERPRETER: The lease rate?

5 A. The LIBOR market and the lease rate  
6 market are two separate markets, although for  
7 purposes of cranking out the numbers or  
8 computing the lease rate, there are  
9 situations where the LIBOR will be taken into  
10 account.

11 Q. Are any other benchmark interest  
12 rate indexes taken into account?

13 A. For interest, LIBOR is the only  
14 one, but theoretically, and please note I  
15 said theoretically, the lease rate is what  
16 you get when you subtract the LIBOR from the  
17 forward rate.

18 Q. So, the forward rate for silver is  
19 considered when you do -- for instance, with  
20 this transaction that is referenced in  
21 Exhibit Number 7.

22 A. Okay. Let me say this again.  
23 There is a market for the lease rate. The  
24 lease rate itself has its own market.

25 Q. Does the lease rate have an index,



1 H. Ishida

2 delivered in the form of silver credits to  
3 Republic Metals Corp.' Loco London account?

4 A. The contract calls for the silver  
5 to be delivered into an account specified by  
6 Republic, an account at Silver Loco London.

7 Q. So no physical metals are  
8 delivered, only credits, to the Loco London  
9 account?

10 A. How familiar are you with Loco  
11 London?

12 Q. I'm not nearly as familiar as a lot  
13 of people in this room, but the point of my  
14 question, so we don't get bogged down, is  
15 that a truck did not drive up to Republic  
16 Metals and deliver silver. There was an  
17 electronic transfer of credits between SCMI  
18 and Republic Metals for the 375,000 ounces  
19 referenced on Exhibit 7.

20 A. Okay. Let me try to explain it in  
21 precise terms.

22 All Loco London transactions are  
23 backed by silver that actually is physically  
24 in place in London.

25 Q. Understood.

1 H. Ishida

2 Q. We are going to be walking through  
3 that, you can tell him.

4 THE INTERPRETER: But the  
5 interpreter has to finish interpreting  
6 what the witness said.

7 MS. GELFAND: Okay.

8 A. Ultimately, at the end of  
9 March 2018, it may have been on March 29, but  
10 in any event, sometime toward the end of  
11 March of 2018, the 600,000 ounces was  
12 transferred back to SCMI from Republic.

13 (SCMI Exhibit 11, SCMI - 34 marked  
14 for identification, as of this date.)

15 Q. Turning now to Exhibit Number 11  
16 for identification purposes, is this what you  
17 would call a rollover?

18 A. Yes. This is the rollover for what  
19 we were talking about earlier, and the  
20 rollover goes -- the extension is such that  
21 it goes until March 29, 2018.

22 Q. And when we have a rollover like we  
23 have here, then nothing is transferred to the  
24 Loco London account; is that correct?

25 I think I want to clarify, nothing

1 H. Ishida

2 new is transferred.

3 A. May I try to explain this --

4 Q. Sure.

5 A. -- based on the contract.

6 Q. Please.

7 A. According to the lease contract,  
8 the party that had leased the metal is  
9 required to return the metal in question to  
10 the party from which the metal was leased.  
11 However, if and when a new lease agreement is  
12 entered into, at the point in time when the  
13 first lease agreement expires, the lease  
14 contract is extended, and there is no need  
15 for the -- for the metal to be returned at  
16 the expiration, at the first expiration.

17 And then in this case, there were  
18 several extensions, but ultimately, on  
19 March 29, 2018, it was returned to SCMI, the  
20 full 600,000 ounces of silver.

21 Q. When an extension is granted, there  
22 is no delivery of any product because it was  
23 already delivered; is that correct?

24 A. That's correct.

25 (SCMI Exhibit 12, SCMI - 35 marked

1 H. Ishida

2 AFTERNOON SESSION - 2:07 P.M.

3 MS. GELFAND: We are going to go on  
4 the record.

5 Q. Okay. Mr. Ishida, before we took a  
6 break for lunch, we reviewed several  
7 confirmations in Exhibits 8 through 15.

8 A. Yes.

9 Q. What is the difference between  
10 unallocated credits and allocated credits?

11 A. Okay. With the allocated, you can  
12 specify the actual goods in question, the  
13 silver in question. The unallocated, it's --  
14 you don't specify.

15 Q. And that would be specifying the  
16 silver held by the depository?

17 A. Yes. But in either case, there is  
18 actual silver for the transaction in question  
19 in the depository.

20 Q. Of the -- held by the third party?

21 A. That's correct.

22 Q. Now, I noticed that the transaction  
23 referenced in Exhibit Number 15, which I am  
24 going to refer to as the September 7th  
25 transaction, the interest rate went up, or



1 H. Ishida

2 from the customer.

3 Q. And what would you do with the  
4 financial statements?

5 A. We download their financial  
6 information, and then we -- using a program,  
7 we come up with an evaluation of their  
8 creditworthiness.

9 Q. What would you do with the  
10 evaluation of their creditworthiness?

11 A. Then we would also factor in other  
12 factors, such as the scale of the  
13 transactions that we are engaged in with that  
14 customer, the profitability of the  
15 transaction -- these transactions, and also  
16 other factors that might come into play in  
17 terms of increasing or decreasing the value  
18 of the customer to us.

19 Q. When you say "increasing or  
20 decreasing the value," would that affect the  
21 lease rate that you charged the customer?

22 A. Yes.

23 And there is one more thing I would  
24 like to add. In addition to what I have  
25 described, there are times when we might meet



1 H. Ishida  
2 higher what you call a lease rate than other  
3 customers of SCMI?

4 A. I don't know, because there aren't  
5 that many customers, and it becomes more  
6 difficult to make a good comparison between  
7 and amongst the customers because of the  
8 small number.

9 Q. How many customers do you have that  
10 lease metals?

11 A. If I remember correctly, and I'm  
12 not absolutely positive, but if my memory  
13 serves me correctly, for silver and gold,  
14 Loco London, I think there was one other  
15 company in addition to Republic.

16 Q. So, you had two customers who were  
17 parties to a lease transaction annex under  
18 the master agreement?

19 A. I think there were just two when it  
20 comes to Loco London gold or silver lease  
21 transactions.

22 Q. Who is the other customer?

23 A. Am I to say the name of the  
24 company?

25 Q. Yes.

1 H. Ishida

2 A. A-Mark Precious Metals.

3 Q. And where is A-Mark Precious Metals  
4 located?

5 A. Their headquarters are in  
6 California.

7 Q. And who is the contact that you  
8 deal with at A-Mark Precious Metals?

9 A. I am afraid I don't remember the  
10 surname, but I believe the person's first  
11 name is Fraser.

12 Q. Can you supply this information  
13 after you look at your records?

14 A. I think it could be found.

15 Q. Mr. Ishida, what was the purpose of  
16 entering into the September 7th transaction  
17 with Republic?

18 A. The purpose? Well, they came  
19 telling us at the end of August that they  
20 wanted to roll over the transaction, and so  
21 this was a result of that.

22 Q. Why was it rolled over instead of  
23 SCMI requesting a return of the credits?

24 A. So they asked for it, and you are  
25 asking me why did we agree to it?

1 H. Ishida

2 At the time of the September 7th  
3 transaction or anytime before that, because  
4 this was a rollover, did you provide  
5 instructions to Republic Metals Corp. as to  
6 what use they should make of the  
7 600,000 ounces of silver that were credited  
8 to their Loco London account?

9 A. There were no instructions. We  
10 simply would deliver the Loco London silver  
11 in accordance with the contract, and we did  
12 not put any conditions on how it was to be  
13 used.

14 Q. I want to go back to the master  
15 lease, page one, the first page or two of  
16 eight -- 28, I think it says, default  
17 interest. How was default interest  
18 determined for your customers?

19 A. The default interest is what would  
20 be used if there was a -- if a payment was  
21 not made in a timely manner.

22 Q. And how did you determine the rate?  
23 For instance, in this master agreement it's  
24 LIBOR plus one.

25 A. I don't know.

1 H. Ishida

2 Q. Has any other of your customers  
3 ever defaulted on lease obligations relating  
4 to Loco London metal credits?

5 A. No, but there is one point I would  
6 like to make clear. Okay. In terms of what  
7 are the requirements of the party that is on  
8 the receiving end of the lease, one would be  
9 to pay the lease rate when it's due, and to  
10 return the credit for the metal in question  
11 at the -- on the date of expiration. No  
12 other company other than Republic has ever  
13 failed to fulfill its obligations related --  
14 these -- these obligations related to a metal  
15 lease.

16 Q. Okay.

17 MS. GELFAND: We are going to mark  
18 this as Exhibit Number 16.

19 (SCMI Exhibit 16,  
20 SCMI\_\_RMC\_\_000274-323 marked for  
21 identification, as of this date.)

22 Q. Mr. Ishida, can you identify  
23 Exhibit Number 16 for identification for the  
24 record?

25 A. Okay. One thing is, this is not



1 H. Ishida

2 interpreter tell the witness that the  
3 matter has been taken care of without  
4 interpreting the colloquy?

5 MS. BORGES: Correct.

6 BY MR. LAWRENCE:

7 Q. You mentioned that this report is  
8 generated by the software system. Do you  
9 know if this particular type of transaction  
10 had to be processed as a loan/depot so that  
11 the information provided in the statement  
12 could be generated by the system?

13 A. Yes, that's -- that's my  
14 understanding, is that it's a system -- it's  
15 required by the system. And if you look at,  
16 I think Exhibit 7, I told you that's a recap  
17 e-mail, that's how we input our information.

18 The front office takes the recap  
19 e-mail and inputs the information, the  
20 necessary information, into the system from  
21 the information that is given in the recap  
22 e-mail. The system, my understanding is --  
23 strike that.

24 My understanding is that the system  
25 is something that was purchased, and in order



1 H. Ishida

2 to get what we want from the system, we input  
3 certain information under certain column  
4 headings. In this case, it's called  
5 "loan/depot." We input the information given  
6 here as loan/depot, and then that's how we  
7 end up with the results that we have here.

8 Now, yes, this is really in fact a  
9 lease transaction, not a loan, not a depot.  
10 But for system purposes, we input it as a  
11 loan/depot.

12 Q. Do you know what software program  
13 the company uses?

14 A. I believe it's a system called  
15 DBTS.

16 Q. Do you know who -- scratch that.  
17 That's okay.

18 (SCMI Exhibit 20,  
19 RMC\_\_Gregg\_\_Driscoll\_\_00114466-467 marked  
20 for identification, as of this date.)

21 Q. I'm going to move on to a document  
22 that I have labeled as Exhibit 20, or that  
23 has been labeled as Exhibit 20. Do you have  
24 that in front of you?

25 Have you seen this document before?

1 H. Ishida

2 Q. How long has SCMI US been in the  
3 business of leasing silver credits to other  
4 companies?

5 A. In our industry that word "silver  
6 credit" doesn't exist. We do do leasing of  
7 silver, but "silver credit" isn't a word used.

8 Q. What did SCMI US lease to Republic?

9 A. LOCO London silver.

10 Q. Did SCMI US ever deliver physical  
11 silver to Republic?

12 A. We have never delivered silver to  
13 Republic. However, we have delivered physical  
14 silver to the appointed warehouse of LOCO London.

15 Q. When Republic leased silver from  
16 SCMI US, was it leasing silver credits LOCO  
17 London?

18 A. We don't understand the question.

19 Q. What does SCMI US do with its LOCO  
20 London silver?

21 A. As it stated in the master  
22 agreement, we delivered the metal to LOCO London.  
23 LOCO London market, excuse me; delivered to LOCO  
24 London market.

25 Q. What did SCMI US lease to Republic?

1 H. Ishida

2 BY MR. LAWRENCE:

3 Q. Yes.

4 A. What kind of question is that? I  
5 don't understand. Why do I have to talk to him?

6 Q. It sounds like you're saying you  
7 were not involved with the negotiations of the  
8 master agreement; is that right?

9 A. I have a problem with this word  
10 "negotiate." Dan was preparing this boilerplate  
11 agreement but ultimately I signed it. So if there  
12 are bits or wording I didn't like, I would have  
13 changed them but so, in that case, I was involved  
14 with the master agreement, making of it.

15 Q. Was Daniel Izzo authorized to enter  
16 into agreements with Republic?

17 A. No, he didn't have such an  
18 authorization. Therefore, I signed it. I was the  
19 head of the company at that time.

20 Q. Please look at Exhibit No. 32.

21 MS. BORGES: Scott, before you go  
22 on, I just want to direct your attention, we are  
23 looking for the attachment 4 for a prior line of  
24 questioning and that attachment 4 redacted stops  
25 at SCMI Bates stamp number 188.

1 H. Ishida

2 that even after leasing out, the ownership remains  
3 with SCMI.

4 Q. Doesn't SCMI US have the same Annex  
5 2 to its lease agreement with SCMI Limited?

6 A. I'll check, double check in order  
7 to make sure now. Yes, it is in the same format.

8 Q. Just a moment. Okay, so when SCMI  
9 US leased the credits to Republic, it didn't own  
10 those credits either; right? Those credits were  
11 originally owned by SCMI Limited, who had leased  
12 the credits from SCGC. Do I have that right?

13 A. In any case it is crystal clear  
14 that Republic doesn't own the title.

15 Q. When SCMI US leases the credits  
16 out, for example to Republic, the credits are no  
17 longer in its inventory; right?

18 A. In the accounting, so we'll reduce  
19 the inventory amount but at the same time we  
20 increase the account receivable PM lease. This is  
21 the procedure in the accounting.

22 Q. Just a moment. These journal  
23 entries that we've been talking about relate to  
24 the lease transactions and they show how the  
25 company booked the credits that were transferred.